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African Value Chains and the Visualisation of the Textiles & Apparel VC

The AfCFTA Secretariat, in a recent report, identified certain industrial sectors and sub-sectors as potential candidates for value chain development under the AfCFTA Agreement[1]. The broad sectors included in their list were agricultural/agro-processing, textiles and leather, automotive, pharmaceuticals, mobile financial services, and cultural industries.

'Value chains' are flows of value between countries that reflect the addition of value to intermediate products, which are eventually sold as final products by the last country in the value chain. 'Value chain participation' refers to the extent to which a country or region participates in cross-border value chains. This can be further broken down into 'forward' and 'backward' participation, meaning the extent to which value is added to imported intermediate products (backward) and in turn to exported intermediate products (forward). African countries, being overwhelmingly primary goods producers, would be expected to be far more forward than backward integrated. Finally, 'GVC exports' reflects the component of exports of non-finished products or materials that become inputs into another country's production process to produce either further beneficiated GVC exports or final products.

Table 1 presents a selection of data on the dimensions of value chain – both gross as well as for the textiles & apparel sector – participation for several regional aggregates. Firstly, high income (developed) countries have a relatively high proportion of GVC exports in total, reflecting their significant participation in value chains across multiple sectors. They also have a higher ratio of backward to forward GVC participation in textile & apparel value chains than the developing regions presented, meaning they significantly beneficiate less processed textiles & apparel products.

[1] AfCFTA Secretariat, 2021. *Which value chains?* The Futures Report 2021

Table 1: Comparing exports, GVC exports, GVC participation for African and other regional aggregates (2015, USDm)

Row Labels	All Sectors Gross exports	All Sectors GVC exports	GVC/Gross Exports	GVC backward - Textiles	GVC forward - Textiles	Backward/ Forward
High income countries	14 501 100	7 451 750	51%	168 873	81 997	206%
Asia (no high inc.)	3 477 524	1 346 460	39%	68 662	62 792	109%
Africa	379 197	159 370	42%	4 014	2 932	137%
Africa, non-resource-rich countries	220 278	90 949	41%	3 907	2 811	139%
Africa, resource-rich countries	158 919	68 421	43%	108	121	89%
North Africa	133 754	63 798	48%	2 168	2 106	103%
Southern Africa	155 578	62 425	40%	815	468	174%
West Africa	54 216	19 079	35%	90	106	84%
East Africa	54 216	19 079	35%	90	106	84%
Central Africa	17 159	6 746	39%	10	7	131%

Source: Author's calculations based on World Bank (2020), World Development Report 2020, GVC Database

Although Africa's proportion of backward to forward value chain participation exceeds that for the non-high income Asian countries, the magnitudes of its participation are much lower. In fact, Africa's total forward and backward flows are only about 5% of the non-high income Asian aggregate, which is about half that for its overall GVC participation. This suggests that Africa is less involved in textiles & apparel value chains than for other value chains it is involved in, such as minerals and agricultural production.

The lower part of Table 1 presents GVC participation data for five African geographic regions, ranked by the value of GVC exports. Although Southern Africa's gross exports are the highest value of all the regions, North Africa's GVC exports are greater and so their proportion of GVC exports to total exports is higher. For the textiles & apparel sector, North Africa's overall participation in value chains – both forward and backward – is much higher than any other African region and only Southern Africa has any meaningful participation of the remaining regions. Finally, note that the GVC participation in textiles & apparel value chains by resource-rich[2] African economies is negligible, and a far smaller proportion than their participation in agricultural

[2] Resource-rich' refers to countries with significant endowments of natural resources such as fuel products (oil & gas), crude minerals & metals and precious minerals & metals.

value chains. This emphasises the under-participation of resource-rich African countries in distributed manufacturing production that is unrelated to their resource endowments and can be considered as aspect of the 'resource-curse'.

Further scaling of the textiles & apparel value chain is provided in Table 2. This table shows, for instance, that the number of agricultural value flows above $100k is nearly four times that for textiles & apparel value flows. It also shows that the proportion of intra-African value flows in textile and apparel value is only about two-thirds that of agricultural value flows. In summary, African-originating textiles & apparel value flows are significantly smaller than agricultural value flows, and the extent of intra-African flows are also less than that for agriculture.

Table 2: Comparing the African agricultural value chain with the textiles & apparel value chain (2017, USDm)

Value flows above $100k	Number of flows	Intra-Africa Proportion
Agri - Africa to all	2413	
Agri - Intra-Africa	236	9.8%
Textiles - Africa to all	639	
Textiles - Intra-Africa	42	6.6%
Agri:Textiles proportion	3.78	

Source: Author's calculations based on UNCTAD-Eora GVC database (https://worldmrio.com/unctadgvc/)

Table 3 shows the value of intermediate exports of textiles & apparel production exported by Africa, developed countries, and other developing countries, which originates from African countries. Developed countries export more than 40 times the value of intermediate textiles & apparel production than do African countries, from value originally generated in Africa. This means that developed countries beneficiate African

Table 3: Intermediate textiles & apparel production exported by region, from African-originating value (2017, USDm)

Region	Value exported	Proportion of Total
Africa	23 949	1.8%
Developed	1 134 606	85.4%
Developing (non-Africa)	169 364	12.8%

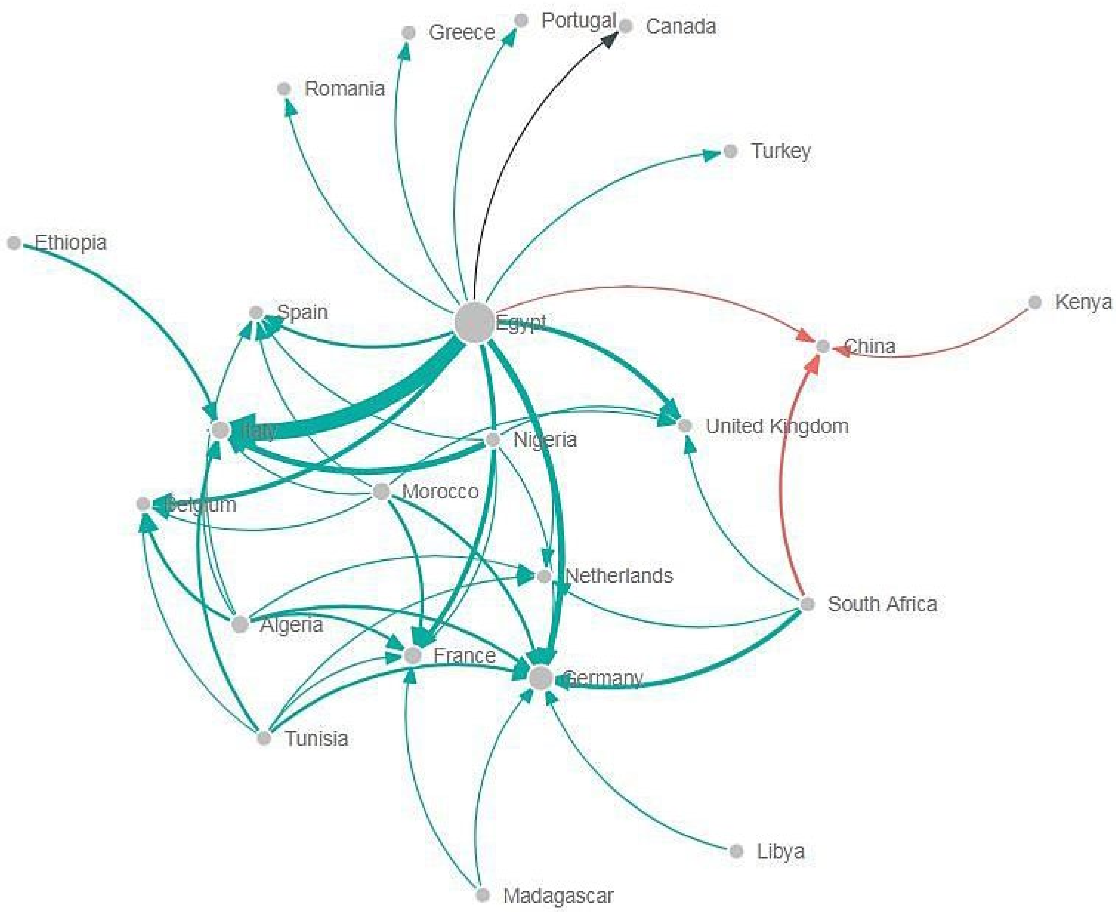
Source: Author's calculations based on UNCTAD-Eora GVC database (https://worldmrio.com/unctadgvc/)

textiles & apparel production to a far greater extent than Africa itself does. This implies there is considerable potential for African countries to move up the 'value chain' in textiles & apparel production.

The country-to-country flows underlying the aggregate data in Table 3 have much to reveal about the trade patterns in intermediate textiles & apparel production. The most important of these are mapped in the following two figures. Figure 1 shows the main flows of African-originating value to all countries, and Figure 2 shows the main flows of African-originating value to other African countries.

The arrows in the figures are weighted by value flow magnitude and are colour-coded. In Figure 1, green arrows are to European countries, red arrows are to East Asia and the Pacific, and black arrows are to North America. In Figure 2, the arrows reflect the existence or not, of common preferential trade area (PTA) memberships. Yellow arrows are between SADC members, black arrows are between ECOWAS members, red arrows are between members of the EAC, and green arrows reflect flows between countries that are not members of these three PTAs (or for which their membership in these PTAs is superceded by a deeper level of integration in a different PTA).

Figure 1: Main flows of intermediate textiles & apparel production: Africa to all countries (2017)

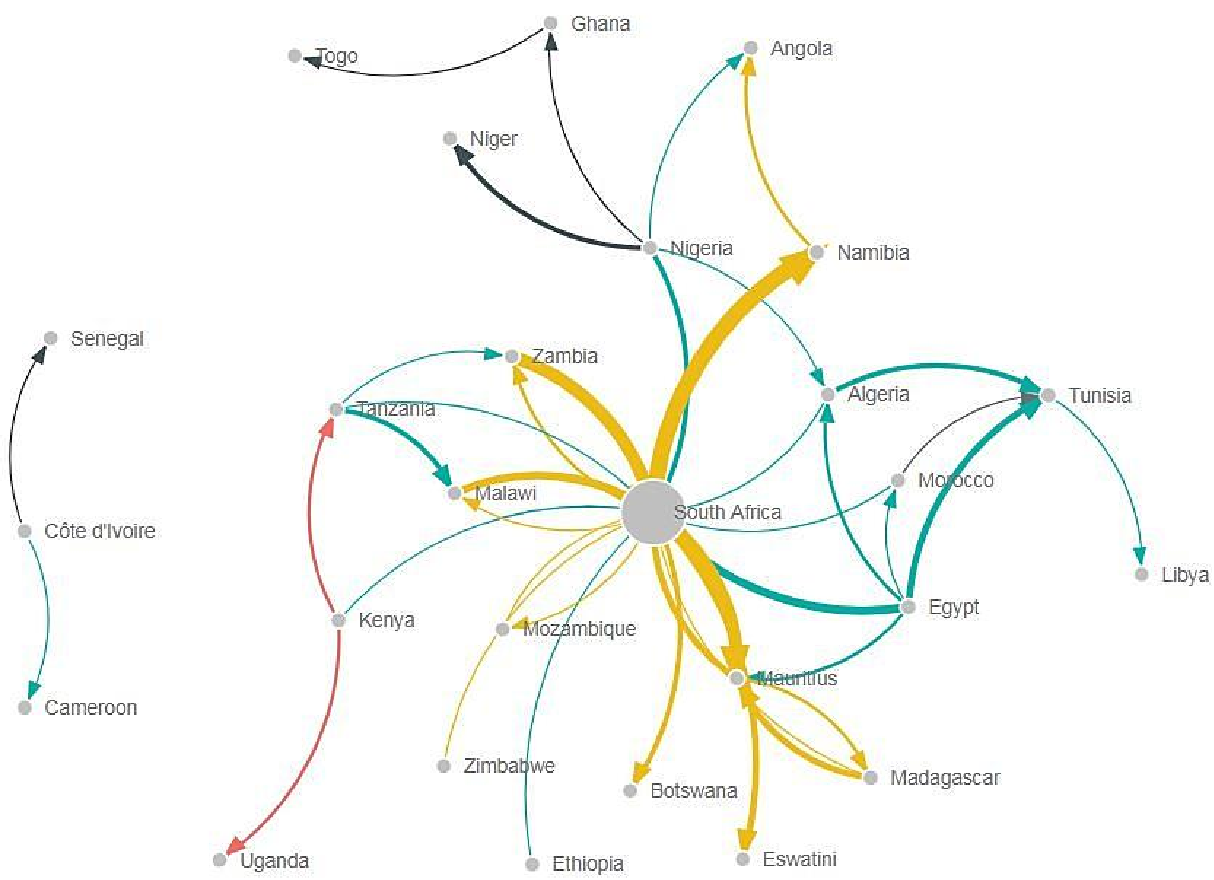


Source: Author's construction based on UNCTAD-Eora GVC database (https://worldmrio.com/unctadgvc/)

It is clear from Figure 1 that European countries are dominant buyers of textiles & apparel value generated in Africa. Furthermore, these flows from Africa are dominated by North African countries, especially Egypt, with Italy, Germany and France being significant buyers. Nigeria, South Africa, Madagascar and Ethiopia are the only significant sub-Saharan African textiles & apparel value suppliers to the rest of the world.

The situation could not be more different for the intra-African value flows (Figure 2). In this case, South Africa dominates as an originator of value with the bulk of the exporters of this value being fellow SACU and SADC members. There are also smaller flows between African countries that are not necessarily involved in mutual PTAs and it is clear that the North African countries are far less involved in exporting intermediate value to other African countries than to Europe. Flows between members of the EAC and ECOWAS are not significant when compared with SADC flows. This is interesting given that ECOWAS, COMESA and IGAD have identified the textiles & apparel value chain for further development but SADC has not[3].

Figure 2: Main flows of intermediate textiles & apparel production: Africa to other African countries (2017)



Source: Author's construction based on UNCTAD-Eora GVC database (https://worldmrio.com/unctadgvc/)

[3] Briel, G. 2022. *Value Chains highlighted by REC Industrialization Strategies*. Mimeo

These value flow figures are an important data tool in addition to the analysis of GVC exports and GVC participation, with value for policy formulation. For example, AfCFTA policy makers can easily identify which countries are already established originators and absorbers of intermediate value –both within the continent and more broadly. These can serve as a starting point and a resource when it comes to planning and skills transfer. In future years, under the AfCFTA, the lowering of trade barriers and the extension of preferences across the continent will further improve the prospect for the development and deepening of value chains and progression 'up' the value chain.

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